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Attorneys for Tulare Local Healthcare District

IN THE UNITED STATES BANKRUPTCY COURT**EASTERN DISTRICT OF CALIFORNIA****FRESNO DIVISION**

In re

TULARE LOCAL HEALTHCARE
DISTRICT, dba TULARE REGIONAL
MEDICAL CENTER,

Debtor.

Tax ID #: 94-6002897
Address: 869 N. Cherry Street
Tulare, CA 93274

CASE NO. 17-13797

Chapter 9

DC No.: WJH-6

Date: August 29, 2019

Time: 9:30 a.m.

Place: 2500 Tulare Street

Fresno, CA 93721

Courtroom 13

Judge: Honorable René Lastreto II

**DECLARATION OF SANDRA ORMONDE IN SUPPORT OF MOTION FOR AUTHORITY
TO BORROW AND GIVE SECURITY AND TO PROVIDE ADEQUATE PROTECTION
(INSURANCE PREMIUM FINANCE AGREEMENT)**

I, Sandra Ormonde, declare as follows:

1. I am the Chief Executive Officer of Tulare Local Healthcare

District, dba Tulare Regional Medical Center ("TRMC" or "Debtor"), the Debtor in the above-
captioned Chapter 9 case.2. I have personal knowledge of the facts contained herein and if I was called
as a witness, I would and could testify as is set out in this Declaration. I am over the age of 18 and I
am competent to testify as to the matters contained in this Declaration.

1 3. As Chief Executive Officer of TRMC I am personally familiar with the issues to be
2 resolved by this Motion.

3 4. I have personally reviewed the Motion for Authority to Borrow and Give Security and
4 to Provide Adequate Protection ("Motion"), by which TRMC seeks authorization to enter into a
5 Commercial Premium Finance Agreement ("Agreement") with FIRST Insurance Funding ("FIRST")
6 and to perform all obligations thereunder, and to provide adequate protection.

7 5. This case was filed as a Chapter 9 case on September 30, 2017 ("Petition
8 Date").

9 6. TRMC is a California healthcare district located in Western Tulare County.

10 7. TRMC is in the business of owning a hospital and other healthcare
11 facilities. The hospital is leased to a third party.

12 8. As part of its operations, TRMC is required to maintain adequate insurance coverage.
13 Without such coverages TRMC would be forced to cease operations.

14 9. Accordingly, TRMC seeks to finance insurance premiums by which certain property
15 and casualty coverages are provided ("the Policies").

16 10. The Policies are essential to TRMC's business operations.

17 11. As of the date of this Motion the annual premiums for August 1, 2019 to July 30, 2020
18 required under the Policies are \$237,400. Of this sum TRMC is prepared to pay \$59,350 which it has
19 the cash to do.

20 12. This leaves \$178,050 in premiums required under the Policies.

21 13. In order to secure payment of the remaining premium amounts required,
22 TRMC is prepared to enter into and execute the Agreement with FIRST. A true and correct copy is
23 attached hereto as Exhibit A.

24 14. The basic terms of the Agreement are as follows:

25 A. Lender – FIRST Insurance Funding.

26 B. Total Premiums, Taxes and Fees - \$237,400;

27 C. Down Payment - \$59,350;

28 D. Loan amount –\$178,050;

E. Interest Details –

- i. Annual Percentage Rate – 6.250%
- ii. Total interest paid - Approximately \$4,668.81;

F. Term of loan – 12 monthly payments;

G. Installment Details –

- i. \$20,302.09 each;
- ii. Due on the first of the month;
- iii. Beginning on August 1, 2019;

H. Use of funds – The funds from the loan will be used for insurance premiums on the Policies;

I. Security – A first priority security interest in the Policies and any additional premiums required under the Policies, including all return premiums, dividend payments, and loss payments which reduce unearned premium.

J. Attorney-In-Fact – FIRST is appointed as attorney-in-fact with irrevocable power to cancel the Property and Casualty Insurance Policy in the event of default under the Agreement.

15. The cash down payments of \$59,350 on this loan will be made from cash on hand.

16. Additionally, TRMC and FIRST have agreed that TRMC shall provide FIRST with adequate protection as follows (“Adequate Protection”):

A. TRMC is authorized and directed to make timely payments due under the Agreement and FIRST is authorized to receive and apply such payments to the indebtedness owed by TRMC to FIRST under the Agreement.

B. If TRMC fails to make any of the payments due under the Agreement as they become due the automatic stay shall automatically lift to enable FIRST and/or third parties, including insurance companies providing the coverage under the Policies, to take all necessary and appropriate actions to cancel the Policies, collect the collateral, and apply such collateral to the

1 indebtedness owed to FIRST by TRMC under the Agreement. In exercising such rights, FIRST and/or
2 third parties shall comply with the notice and other relevant provisions of the Agreement.

3 17. TRMC believes that the terms of the Agreement and the Adequate Protection are
4 commercially fair and reasonable in light of the circumstances including the granting of the security
5 interest(s) described above to FIRST because TRMC is required to maintain adequate insurance
6 coverage and without it would be forced to cease operations and because TRMC has been unable to
7 obtain unsecured credit to fund the Policies.

8 18. TRMC believes that the relief requested by this Motion is warranted and
9 appropriate under the circumstances and submits that authorization of the Agreement will ensure that
10 it can continue its necessary operations and will not prejudice the legitimate interests of creditors and
11 other parties in interest, including TRMC's creditors.

12 I so declare under penalty of perjury and represent this 16th day of July, 2019 at Tulare,
13 California.

14 
15 Sandra Ormonde